

Report to the Cabinet

Meeting to be held on Thursday, 8 February 2024

Report of the Executive Director of Resources

Part I

Electoral Division affected:
(All Divisions);

Corporate Priorities:
Delivering better services;

2024/25 Budget Report

(Appendix 'A' refers)

Contact for further information:

Mark Wynn, Tel: 07955 321732, Executive Director of Resources,
mark.wynn@lancashire.gov.uk

Brief Summary

The detailed report (attached as Appendix 'A') sets out the proposed budget for the county council for 2024/25. It also references the medium-term financial position for the following years.

Cabinet is asked to recommend the budget to Full Council at its meeting on 23 February.

Recommendation

Cabinet is asked to **agree and recommend** to Full Council:

- (i) A revenue budget of £1,110.677m for 2024/25, including a council tax requirement of £645.364m (equating to Band D Council Tax of £1,653.29) for 2024/25 reflecting a 4.99% increase including 2% to be used for adult social care (Appendix 'A').
- (ii) Policy savings totalling c£15m as detailed in Annex 'C' of Appendix 'A', with consideration given to equality impact assessments and specific consultations that will take place for proposals as required of which the outcome will be reported to future Cabinet meetings.
- (iii) The indicative capital programme for 2024/25 of £198.524m (Appendix 'A' and Annex 'E').

(iv) The capital strategy (Annex 'F').

(v) Exceptions to the agreed uplift policy for fees and charges as outlined in Appendix 'A' Section 13.

In considering the above, Cabinet is asked to:

(vi) Note and have regard to the advice of the Executive Director of Resources in relation to the robustness of the budget and the adequacy of reserves (Annex 'D').

Background and Advice

1. Context

Appendix 'A' sets out the proposals for the 2024/25 Budget. The proposals have been developed in the context of one of the most difficult scenarios facing the Local Government sector for many years.

Subsequently, this year is perhaps the hardest year many local authorities have faced in terms of setting budgets. The challenges have been significant, with costs impacted by demand for services continuing to rise post covid and also in response to recognised national challenges e.g. Home to School Transport. It has been an incredibly challenging year financially for budget-setting due to the significant changes in the rate of inflation and the impact on service costs, however we are now seeing reductions in the headline rate and progress towards the Bank of England 2% target.

The recent announcement of extra funding for local government recognises these challenges. However, its one-off nature also makes clear that a more permanent solution will be required in the future for local authority budgets.

This Council continues to review all of its expenditure and income in order to provide the best possible services to residents in the most effective cost manner, recognising the financial environment in which it is operating at present.

This report makes a number of recommendations to Full Council to comply with statutory guidance for setting the County Council's budget for the 2024/25 financial year, and to allow district councils to raise council tax bills across the county.

The report is based on the known position at the time of writing. There are a number of areas of uncertainty where additional information will be available at the meeting of Full Council (district council tax base and collection fund position and the outcome for the County Council of the final financial settlement, with the allocation of the newly announced social care grant being the most significant). These will be included in the final report to Full Council and a note will be prepared for all members explaining any changes between this report and the one that comes before Full Council.



2. Content

The attached report (Appendix 'A') sets out:

- The proposals for spending £1.9bn on services across the County over the coming year and the allocation of budgets across directorates (Appendix 'A' & Annex 'A').
- The assumptions that underpin the proposed budget and future years medium-term financial strategy planning (Annex 'B').
- The increased costs (c£117m) being incurred by the Council in comparison to those agreed for 2023/24. (Appendix A - Sections 3 – 9).
- New policy savings proposals (c£15m) that will require the approval of Full Council (Annex 'C').
- The sources of funding to support the budgets (Appendix 'A' - Section 10).
- The impact on council tax levels within the county (Appendix 'A' – Section 10.2).
- Proposals for the development of options for consideration in planning for a sustainable budget (Appendix 'A' – Section 11).
- Proposals for a capital delivery programme of c£531m over the next 3 years, with a planned delivery programme of £198.524m in 2024/25 (Annex 'E').
- The level of reserves that the county council holds (Appendix 'A' – Section 12)
- The Section 25 Statement – it is a statutory requirement that the budget report for Full Council includes an assurance from the Chief Finance Officer on the robustness of the estimates and adequacy of reserves. This is included as Annex 'D' within Appendix 'A'.

The report also references a number of associated papers that will require the approval at Full Council as part of the budget report:

- The Treasury Management Strategy, Investment Strategy and Minimum Revenue Provision policy were considered and approved by Audit Risk and Governance Committee on 29 January 2024.
- The Capital Strategy – This document sets out the rationale for the Council's capital investment and the governance process the Council adopts for oversight and assurance of the programme.

Summary of report

The key messages contained with the detailed report (Appendix 'A') are summarised below:

- The Council will spend £1,894.909m of revenue expenditure over the coming year, whilst generating £781.324m of income, which will leave a net budget requirement of £1,113.585m.
- £1,110.677 of this will be funded from a mixture of government grants, business rates, council tax and other local funding.
- The county council will therefore have a budget deficit in 2024/25 of £2.908m which will be funded from the transitional reserve.



- The Council faces significant demand and inflationary pressures of c£117m in 2024/25 (and c£261m over the 3-year period to 2026/27).
- The Council continues to evidence strong financial management and has identified a further £36m of new savings that will be required over 2024/25 - 2026/27. In total there are savings of £99m to be delivered over the next 3 years.
- There are a number of risks inherent in the assumptions within the budget and considerable challenges and uncertainty within the local government sector at present. The Council has, therefore, also developed a strategy for identifying further efficiencies and productivity improvements utilising best practice and technology designed to improve outcomes at lower cost.
- The approved budget includes a council tax requirement of £645.364m (equating to Band D Council Tax of £1,653.29) for 2024/25 reflecting a 2.99% increase in general council tax and a further 2% to be used for adult social care.
- A capital delivery programme is proposed of c£531m over the next 3 years, with a planned delivery programme of £198.524m in 2024/25.
- Section 25 Statement – it is a statutory requirement that the budget report for Full Council includes an assurance from the Chief Finance Officer on the robustness of the estimates and adequacy of reserves.

Appendices

Appendix 'A' including Annexes 'A' – 'F' are attached to this report. For clarification they are summarised below and referenced at relevant points within this report:

Appendix	Title
Appendix 'A'	The County Council's Budget 2024/25
Annex 'A'	2024/25 Revenue Budget Detail
Annex 'B'	Funding and Expenditure Assumptions
Annex 'C'	Policy Savings Proposals
Annex 'D'	Report of the Chief Financial Officer on the robustness of the 2024/25 budget estimates and the adequacy of reserves.
Annex 'E'	Capital Programme 2024/25
Annex 'F'	Capital Strategy

Consultations

The budget consultation process is currently live, with the consultation due to close on Friday 9 February. As part of the report to Full Council consultation feedback will be included for Members to review in conjunction with the proposed budget.

The budget for 2024/25 includes several savings proposals that will require their own respective consultation, with reports in relation to these proposals seeking approval from Cabinet following consultation, in order to be implemented.

Implications:

This item has the following implications, as indicated:



Risk management

The county council's overall approach to managing financial risks continues to identify and acknowledge risks early and build their impact into financial plans while continuing to develop strategies which will minimise their impact. This approach operates in parallel with the identification and setting aside of sufficient resources to manage the financial impact of the change risks facing the organisation.

The statutory report of the Chief Financial Officer on the robustness of the 2024/25 budget estimates and adequacy of reserves (Section 25 of the Local Government Act 2003) reviews the risks included as part of the 2024/25 budget and future years.

Legal

Matters referred to in this financial forecast will be subject to council consideration where appropriate.

List of Background Papers

Paper	Date	Contact/Tel
-------	------	-------------

None

Reason for inclusion in Part II, if appropriate

N/A

